



ISSN 1181-6465

**Legislative Assembly
of Ontario**

First Session, 41st Parliament

**Assemblée législative
de l'Ontario**

Première session, 41^e législature

**Official Report
of Debates
(Hansard)**

Wednesday 19 November 2014

**Journal
des débats
(Hansard)**

Mercredi 19 novembre 2014

**Standing Committee on
Estimates**

Ministry of Energy

**Comité permanent des
budgets des dépenses**

Ministère de l'Énergie

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Hansard Reporting and Interpretation Services
Room 500, West Wing, Legislative Building
111 Wellesley Street West, Queen's Park
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
Salle 500, aile ouest, Édifice du Parlement
111, rue Wellesley ouest, Queen's Park
Toronto ON M7A 1A2
Téléphone, 416-325-7400; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 19 November 2014

Mercredi 19 novembre 2014

The committee met at 1603 in room 151.

MINISTRY OF ENERGY

The Chair (Ms. Cindy Forster): Good afternoon, members. We're here to resume the consideration of the estimates of the Ministry of Energy. There is a total of four hours and 45 minutes remaining.

Before we resume the consideration of the estimates of the Ministry of Energy, if there are inquiries from the previous meeting that the ministry or the minister has responses to, perhaps the information can be distributed by the Clerk at the beginning in order to assist the members with further questions. Are there any items, Minister?

Hon. Bob Chiarelli: No.

The Chair (Ms. Cindy Forster): When the committee adjourned yesterday, the third party had completed its 20-minute rotation.

I turn the floor over to the government members for the next 20 minutes. Ms. Naidoo-Harris.

Ms. Indira Naidoo-Harris: Thank you, Chair. Minister Chiarelli, I've been talking to the residents in Halton for years, and I get a lot of questions from them when it comes to the electricity system in Ontario. In fact, one of the things I hear most often from my constituents is the need for increased education and awareness of the factors that affect their bills, like the environment and the system in general.

Increasing the energy literacy of Ontarians is a good thing. It will not only help them understand how the system works but will also teach them about innovative ways they can reduce their consumption and save money on their hydro bills. Minister Chiarelli, can you please tell us what the government is doing to help increase the energy literacy and energy education of Ontarians?

Hon. Bob Chiarelli: Thank you for the question. First of all, I want to say that it is a very important part of the electricity sector. If people don't understand what's happening, then it's harder for them to engage the opportunities in the sector and for them to have dialogue when required.

When I was appointed minister, I learned very, very quickly that the electricity sector is like a Rubik's cube: You make a decision in one part of the sector and it impacts through, it ripples throughout the whole sector. Most importantly, most decisions impact the rates and the

rate base, which impact the bills, which impact on the community. So it's very important that people learn to understand.

I was very fortunate when I was mayor of the city of Ottawa that I was on the board of Hydro Ottawa for six years and got some familiarity with it, in terms of how complex it is. I was also very fortunate to have spent three years on the board of the Independent Electricity System Operator, which is probably one of the most complex mandates that is in the electricity sector.

Most importantly, the Auditor General, who has had to work on energy and electricity files, Don Drummond, who did an analysis of pretty well every operation in the government and included it in his report, and the Environmental Commissioner, who has had to deal with electricity- and energy-related issues—each one of those has formally, in their reports, recommended that we engage in a lot more energy and electricity education for the public. So promoting energy literacy among Ontarians certainly is a top priority for the ministry.

Last year, our government launched a website dedicated to educating Ontarians about the electricity system. The website is called emPOWERme. It provides an excellent overview of Ontario's energy sector and explains how generation, transmission and distribution networks function—in a way that's understandable for somebody who has not been technically engaged in it—together to ensure everybody has access to the clean and reliable electricity they need. The website offers a number of video shorts that explain electricity generation, distribution, measurement and conservation. The site also includes an interactive bill tutorial, infographics, and interactive exhibits about Ontario's supply mix and smart grid innovations.

The emPOWERme website is accessible to Ontarians of all ages, and I would highly recommend that members of the Legislature and of this committee, and certainly their constituents, take advantage of this resource. We believe that this will deliver real benefits to the province and the sector, including a more energy-literate Ontario public that can better understand the trade-offs inherent in energy policy choices. More empowered consumers are better able to manage their own energy usage and help system-wide conservation efforts as a result.

It's amazing how many people are not aware of the number of tools that are available to them to actually reduce their rates through conservation and through other

means. Indeed, there's a much higher level of understanding in the business community—large businesses and small businesses—of the number of programs that are available, and they're accessing them very significantly. I made reference to those in my opening remarks a couple of days ago.

But I do want to ask John Whytock to come up and provide some additional information. He's the director of communications for the ministry, so he will be able to let you know what is unfolding in the ministry.

Mr. John Whytock: Thank you, Minister. Hi, I'm John Whytock. I am the director of communications for the Ministry of Energy. It's a privilege to have the opportunity to speak a little bit more to your question. The minister has touched on a lot of the broad themes, and I'm hoping I can elaborate a little bit more on that.

As the minister mentioned, we have seen a number of calls for energy literacy. He mentioned the Environmental Commissioner, the Auditor General, the Drummond commission, and during consultations across the province in the summer of 2013 that helped create the long-term energy plan, it was a common theme in every community. In every community, there had been a stakeholder session, but there was also a public open house. So there was direct dialogue between a number of senior members of the ministry and just members of the general public, and we did hear literacy coming up again and again.

Everyone agrees that greater energy literacy is a good thing.

1610

But what was interesting in a lot of reports like the Drummond report or the AG or the ECO is that many times they would indicate that literacy, more education, is a good thing, but they rarely elaborated on why or gave specific recommendations on what they thought the outcome of that would be. I think it's important to emphasize that the public's understanding of the energy system is not just a feel-good exercise: that we would post these materials and feel better that they were out there. It can have real, tangible benefits. It can benefit citizens—consumers—it can help the health and resilience of the system itself if people are better informed and better engaged in the system.

Talking about the broadest sense of what education and engagement and literacy can mean, I think it's important to point out that there was an entire chapter in the 2013 long-term energy plan dedicated to regional planning and to engaging local communities. That was done because two things were recognized: People in communities need a vehicle by which to be heard, and they deserve the opportunity to learn more about the energy system.

Again, as the minister has mentioned, keeping the lights on in Ontario is an immensely complex operation, and we recognize that it's hard to participate in a robust discussion if you don't have even a rudimentary understanding of how it works. It is immensely complex. When public polling or focus groups have occurred in the past, it has become evident that people don't understand

their bills, and even people who say they do don't really know what all the different elements mean when they're asked detailed questions about it. If you don't have that fundamental understanding, how can you really fully participate in the larger discussion?

I want to highlight the four main commitments to regional planning that were made in the LTEP, and this is quoted straight from the energy plan:

First we will implement the recommendations made by the IESO and OPA on "regional planning and the siting of large energy infrastructure."

Second, the ministry and our agencies "will work with municipal partners to ensure early and meaningful involvement in energy planning."

Third, "municipalities and aboriginal communities will be encouraged to develop their own community-level energy plans to identify conservation opportunities and infrastructure priorities. The Municipal Energy Plan Program and the Aboriginal Community Energy Plan Program will support these efforts."

Fourth, "regional plans will promote the principle of Conservation First while also considering other cost-effective solutions such as new supply, transmission and distribution investments."

When you take those four commitments together, that shows there is a great opportunity for the average citizen, should they choose, to participate to ensure that local decisions are going to meld into the larger energy system and that there will be community-level benefit. That chapter of the long-term energy plan has created the channels that help people engage.

The next step of energy education and literacy is making sure they have the knowledge to be full participants in that conversation. We have tackled that in many different ways. One barrier to literacy is if people can't find the energy information they're looking for. The complexity in the system starts with just the number of players involved. You have dozens of utilities. You have regulating organizations. I think that if you just did a poll asking the average Ontarian if they could name the five agencies that report to the Minister of Energy, they would have a hard time naming them or defining exactly what they do, much less know to go to them to look for information. So a lot of information exists; it's not necessarily easy to find if you're starting from scratch. But even if you know precisely what you're looking for, you may not know where to start.

An example of how to make this a little bit easier is that a few months after the long-term energy plan came out, we were able to post all the modules with all the data to support every chart and graph in the energy plan. If you wanted to understand exactly what these long-term forecasts meant, the data was there for you, and it was in an open data, open government form so you didn't even have to rely on our interpretation of it. The raw numbers were there for you to play with however you saw fit.

That's why we've been working to deliver on an LTEP commitment on public reporting as well. Fortunately, before this calendar year is out—sometime in the next

few weeks—the ministry and the IESO should be able to release the first of what will be a series of quarterly energy updates. Again, the information in these updates is information that exists now if you know where to look, but bringing it together in one easy-to-find place that the ministry and its agencies and everyone can point to just provides easier access.

Another challenge in energy education is that we haven't traditionally invested in the research on what consumers understand and how they respond to different information and incentives. So our ministry—this is something that was alluded to in the minister's comments yesterday—is supporting two programs led by third party experts in this area, to gain better insights into what information will best help the average citizen and encourage them to take action.

Research is under way right now by the Mowat Centre and by the energy exchange program run by Pollution Probe. These findings can help everyone in the system—the ministry, its agencies, local utilities, other people engaged in energy literacy and energy education—to customize their education materials to better resonate with the audiences we're trying to help.

It was almost a year ago that the government released the long-term energy plan and, at the time, we launched a new educational web feature that the minister mentioned earlier. It was built partly on the learnings we got from the public consultations around the province. That site is called emPOWERme and it features a series of videos, interactive tools and infographics that all help explain the system.

The videos, for instance, start with the very fundamental elements of energy. Do people understand the difference between transmission and distribution? Do they know what a smart grid is? Do they know why conservation has system benefits as well as personal or household benefits?

I'm happy to say that these videos have been viewed more than 18,000 times to date. Views have been going up in recent months, on average more than 15% per month. Other than paid ads that have run, it's the second-most-viewed set of videos in the government arsenal of educational materials. So I'm rather proud of that.

I'm also proud to say that last night was the Spotlight Awards, honouring excellence in government communications, and our work on emPOWERme won an award for creative design. So our whole team is rather glad that we got some broader acknowledgement that we are—

Mr. John Yakabuski: Nothing on the content, eh? Just the design?

Mr. John Whytock: We put in the application on creative design. I don't think there was a content category. We are communicators.

Mr. John Yakabuski: Oh.

Mr. John Whytock: Related to emPOWERme is our effort to use social media to educate people. For instance, this October we recognized that there is a great deal of energy lost to what is sometimes called vampire power but more commonly called phantom power. Of course,

that's just the electricity that's being consumed when your household devices are ostensibly off.

Recognizing that in October with Halloween coming up—phantom power; Halloween connection—we ran a Halloween-themed campaign to try to drive awareness of phantom power. People could post images or short Vine videos. We created a make-your-own-phantom kit for kids. With a popsicle stick and a pair of scissors, you could make a phantom and go around your house and show your parents where they weren't doing a good job of shutting things off and shutting off power bars. Thanks in part to that campaign, our Twitter feed had our year-best total of about 122,000 impressions.

These are the sorts of tactical things that we're doing on a rolling basis. That's just one example of how social media is reaching out.

New technological innovation that we really couldn't have imagined, that has only been made possible by the smart grid, allows us to introduce new educational tools. For example, today more than 60% of Ontario ratepayers are served by a utility that offers the Green Button initiative. Green Button allows you to download your personal energy use directly from your utility, and that helps you better understand your personal energy consumption habits: how you use it, when you use it, at what time of day or week, or season over season.

Ontario is doing some pioneering work to launch the next phase of Green Button. The first phase was called Download My Data. The next phase is called Connect My Data. At the end of that, what you will be able to do is give your utility permission, or instruct your utility, to share your personal information with an app developed by a private sector developer. That app developer may have found new and interesting ways of presenting your data. We have left it up to the sector to come up with their own innovative ways of doing this, and it's data being fed right to you through this app that you can view on your computer or smart phone. This means people can find the service they want that best helps them use their electricity data to change their behaviour and improve their energy use.

Green Button taps into private sector innovation to achieve real public benefits. Because of Ontario's province-wide investment in smart meters and smart grid technology, we're in a position to be a world leader in facilitating this kind of technology.

1620

In fact, the original Green Button initiative was introduced by the White House, but when we announced the winners of our Green Button app competition a few months ago, a representative from the White House came up to Ontario to admit that we've moved ahead of them and they're now learning lessons from us. So we really are at the cutting edge on what this can provide.

Another emerging technology tool to help consumers is being piloted right now by several local distribution companies, and it's called social benchmarking. What this allows people to do is see how their energy consumption compares with similar households in their area.

In addition to receiving your traditional bill, you receive another notice that shows how you compare with similar households in your area, so they can compare their progress to that of their neighbours.

Behavioural research that has been done on some pilots in other parts of the world has shown that this approach has been one of the most effective ways to drive behaviour change, to see energy use and energy patterns change most dramatically. Simply put, people are motivated to save energy if they can see how they're doing compared to their peers. We're looking forward to the results of the pilots running right now in Ontario to see if this holds potential as a province-wide initiative.

I think it's also important to point out that our ministry is not alone in the efforts to improve energy literacy. There are a lot of different touch points. The agencies of the ministry have been active in consumer education as well. I gather that most members got to attend the International Plowing Match this year. You would have seen Hydro One's mobile education centre, which has been touring communities around the province to raise awareness about different electricity issues. Maybe you've received mail at your own home from the Ontario Energy Board. They have a consumer protection campaign. It's called Knock Knock, and it's educating you about energy contracts and being aware of what you're signing into.

Those are a couple of examples of how the broader sector is active in many ways, trying to help consumers. That doesn't even tap into what individual utilities do, and there's a great deal of effort being done there as well. So there's a wealth of tools available to consumers.

The final point I'm going to make in my time is how energy literacy relates to conservation. The truth is that Ontarians have done a lot to conserve energy over the past 10 years—the figures are in the long-term energy plan. Ontarians have conserved over 8.6 terawatt hours of electricity since 2005. That's enough energy to power Mississauga. I would wager that in a typical Ontario home you'd be hard pressed to find that something hasn't been done to help conserve energy or change their energy pattern, whether it's just switching light bulbs, a programmable thermostat, buying more efficient appliances or adding insulation to improve energy efficiency overall.

The challenge we face in the coming years, with ambitious conservation targets going forward, is that we need to reinvigorate conservation in people's minds and show them how it can have even further benefits for their homes, businesses and communities, and for the energy system overall.

The Chair (Ms. Cindy Forster): You have about 30 seconds left to wrap up.

Mr. John Whytock: Thank you. Thank you again for your question. I hope I have demonstrated how seriously we take energy literacy and the many ways in which we're approaching the challenge in new and innovative ways. Thank you for your time and this opportunity.

Ms. Indira Naidoo-Harris: Thank you very much for your answer. I really appreciate how detailed it was. I

especially enjoyed hearing about the emPOWERme website and consumer education.

The Chair (Ms. Cindy Forster): We'll move on to the official opposition. Mr. Yakabuski.

Mr. John Yakabuski: Thank you very much, Madam Chair. Unbelievable answer; my gosh, a 20-minute answer. We'll try and keep ours shorter.

Mr. Whytock: clearly, a very, very competent member of the ministry staff. You're assistant deputy minister. Right?

Mr. John Whytock: I'm the director of communications.

Mr. John Yakabuski: Oh, director of communications. But you've got all kinds of assistant deputy ministers here as well.

I'm going to ask the minister—lots of competent people here, and that's obvious, but what if Mr. Whytock only worked 30% of the time, and he decided when he'd come into work. Would you keep him? He's very competent. He's top shelf. I mean, that's obvious. But if he only worked 30% of the time, and he picked the times he came in, would you keep him on staff? Would you let him go, or would you keep him?

Hon. Bob Chiarelli: Is he a part-time worker or a full-time worker?

Mr. John Yakabuski: No, he's there, but he only works 30% of the time and he himself decides when he's coming into work. You can't call him. You can try, but there's no communication. You can't call him. He just decides when he's going to come into work.

Hon. Bob Chiarelli: Does he produce four times the amount of a normal worker?

Mr. John Yakabuski: No. He works 30% of the time.

So if you need him on a Friday, he might say, "No, no, I'm not working Friday." But all of a sudden at 3 o'clock on Friday, "Oh, I'm coming in," because there has been a change.

Now, would you consider him competent? No question about it. Would you consider him reliable?

Hon. Bob Chiarelli: One of the reasons we have staff here working is because I can turn the question over to the deputy. Deputy, do you have an answer to that question?

Mr. Serge Imbrogno: It's an interesting question.

Mr. John Yakabuski: Well, I could ask you the same question, sir. He is competent. I've known him for years. But if he decided he was only going to show up 30% of the time and he picked those days, I want to ask you, would you think that the minister should keep you or suggest that you might find a job somewhere else?

Mr. Bob Delaney: Chair, on a point of order: This hypothetical flight of fancy being very interesting, it still has to be relevant to the business of estimates.

Mr. John Yakabuski: It's completely relevant, and I'm looking for a relevant answer.

If you only work 30% of the time and you decided when you were going to work, would you consider yourself a reliable employee?

Hon. Bob Chiarelli: It's not a relevant question in terms of the estimates for the Ministry of Energy.

Mr. John Yakabuski: Of course it is.

Hon. Bob Chiarelli: Show me how it's a relevant question.

Mr. John Yakabuski: I'm going to show you shortly. I'm going to tell you that if I was in business, and someone—he could be the best, smartest, most competent person in the world—only worked 30% of the time and decided when they were going to work, not when I needed them, they wouldn't be working for me very long.

Mr. Bas Balkissoon: That's hypothetical.

Mr. John Yakabuski: Bas, glad to see you woke up.

So this is what we have in our systems. I keep hearing about your commitment to building more and more wind, up to 6,480 megawatts by 2025, but that's what we have in our system. It's something that, at best, works 30% of the time, and it works when it wants to work. You don't control it. The Ministry of Energy doesn't control it. The IESO doesn't control it. The OPA doesn't control it. The OPG doesn't control it. Hydro One doesn't control it. Nature, or the good Lord, if you're religious or spiritual, controls it. But you want to build more and more of that into our system.

What's happening in Europe—in Germany, where they've got 25,000 megawatts of wind or more, they're finding it to be becoming more and more of a challenge with grid stability because of that amount of wind in their systems, so they're firing up decades-old coal plants to fill the void when the wind doesn't blow.

Now, I heard your speech last night. I thank you for the shout-out. I really appreciate that. You were very nice to me and I very much appreciate that. But you talked about some of your plans, and one of the things you talked about in your capacity market—I'm going to get to that. But if we continue to put more and more wind in our system—and this is a fair question—will that not increase the amount of grid instability that is potential in our system based on the fact that for every megawatt of wind that you put into your system it is a megawatt that you no longer have power over? It's nature. Now, you can forecast it, but, as we know, forecasting the weather is not the easiest game in the world. Is that not likely to increase the amount of grid instability in our system?

Hon. Bob Chiarelli: Let me answer that question by talking about what percentage of time is consumed with the different types of generation that we do have. For example—

Mr. John Yakabuski: We'll see how long you take.

Hon. Bob Chiarelli: If you look at the gas plants, they're operational somewhere between 30% and 40% of the time. They operate 30% or 40% of the time, the gas plants. Nuclear, I think, is up around 85% or 90%.

Mr. John Yakabuski: Oh, it's more than that.

Mr. Serge Imbrogno: On average.

Hon. Bob Chiarelli: On average—let's say 85%; and gas is operating 30% of the time. Hydroelectricity is what percentage, roughly?

Mr. Serge Imbrogno: In the high range, 80% or 90%.

1630

Hon. Bob Chiarelli: About 80% or 90% of the time. They all operate at different times. So you have to ask: Why do they operate so little or so much depending on what they are?

We have the Independent Electricity System Operator, which is responsible for managing the electricity system.

Mr. John Yakabuski: I understand all that.

Hon. Bob Chiarelli: Okay. They're responsible, first of all, for making sure that the right amount of power is in the system at all times—

Mr. John Yakabuski: It has to match. I understand that.

Hon. Bob Chiarelli: You're aware of that. Okay. And that there's something called ramp time: how long it takes to ramp up or ramp down. You know that nuclear is our base. There's something called dispatch. The Independent Electricity System Operator basically has the legal and regulatory authority to tell every generator in the province when to ramp up and when to ramp down—

Mr. John Yakabuski: Yes, I totally understand that.

Hon. Bob Chiarelli: —when to take a gas plant and get it up to 40% or 50%. When we first installed wind, the power to dispatch or order to go up or down did not exist. But about a year or a year and a half ago, the IESO changed the regulations so that now they can direct or dispatch wind. Even if they're generating it, they won't get paid. That little bit—

Mr. John Yakabuski: But you cannot dispatch the wind to operate.

Hon. Bob Chiarelli: No, you can't.

Mr. John Yakabuski: There you go. So thank you. I'm going to—

Hon. Bob Chiarelli: That's true, but it's—

Mr. John Yakabuski: On your gas plants, Minister—

Hon. Bob Chiarelli: It's like a penalty killer in a hockey team. They have a job. They only go out there for certain things—

Mr. John Yakabuski: I never killed penalties; I got the penalties.

Hon. Bob Chiarelli: They only go out there for certain things. So—

Mr. John Yakabuski: Okay. Let's go back to—

Hon. Bob Chiarelli: —wind is part of the electricity mix—

Mr. John Yakabuski: Yes. You're making a lot of it right now. Let's get a turbine hooked up and see if we can't generate something.

Hon. Bob Chiarelli: —that has a particular purpose in the system.

Mr. John Yakabuski: Okay. Let's talk about those gas plants now. You're talking about 40%—the gas plants run 40%. But if you wanted, if you chose, you could run those gas plants at a much higher capacity. Other than maintenance, you could run them all the time. You'd have to take them down for routine maintenance and if there was a breakdown or whatever. But you could run those any time you want.

You can take the system and say, “We’re not paying for”—which I will concede and say that that was a good decision on your part, that you’ve changed the rules from where they were originally, because they were crazy. But it took you a long time, Minister, to come to your senses and say, “We just can’t pay for wind at the top market price every time it blows, even when we’re pouring water over our dams and letting it pass by our turbines at our hydraulic stations, blowing off our nuclear plants,” which you say are running at 85%—I would say that if you didn’t have to blow off steam on them half the time when you were taking wind into the system, they’d even be more efficient and productive. But you’re paying those nuclear operators when they’re letting off steam because we’re letting wind into the system.

So yes, you’ve made a positive change, but that still doesn’t balance the system completely. You still have the situation that you can deny wind access to the market, but you can’t tell it when you want it to join the market. You have no control over when wind actually joins the market. If it’s blowing, you can’t say, “Sorry, we don’t want you today, Mr. Windy, but we might take you tomorrow.” There’s a huge difference.

When you’re talking about stability in the grid, for every megawatt of wind that you give access to, for every megawatt you build, you are inherently building more instability in the grid, because you have an unreliable source of generation. Would that not be a fair statement?

Hon. Bob Chiarelli: I want to go back to my analogy in the sense that—

Mr. John Yakabuski: I thought you’d say you want to go back to Ottawa, where you used to be mayor.

Hon. Bob Chiarelli: No. Actually, I’d like to come back to my hockey analogy, number one. We have an energy mix in Ontario that’s deemed to be among the best in the world. We’ve got a combination of generation facilities. It gives the system operator more tools to do the job. If you’ve got a power play, you put those guys out. If you’ve got penalty killers, you put those guys out. The penalty killers play maybe five or 10 minutes a game. You have the main first line; they’re out there 19 or 20 minutes a game.

It’s the same thing. Nuclear is the base. It’s out there and it has a job. It’s very, very slow to ramp up and ramp down. It’s very, very reliable. It’s cost-effective and it has a role to play. Gas, on the other hand, is very, very quick to ramp up and ramp down.

Mr. John Yakabuski: I know how the system works.

Hon. Bob Chiarelli: They all have a role to play. The wind and the solar—you’re not talking about solar very much; you’re talking about wind. Wind and solar is to make sure that we have enough clean, emissions-free electricity in the system. It doesn’t have to be on all the time. It’s dispatched off, yes. Sometimes it can be dispatched on under certain circumstances—

Mr. John Yakabuski: Do you not still have contracts out there that require you to pay them all the time when they produce wind? The contracts that were there before you came out with this new regulatory approach; the

contracts that were operating, say, in 2008, 2009, 2010 and 2011: Have those contracts been altered to ensure that they’re not being paid unless when you’re buying the power from them?

Hon. Bob Chiarelli: Nuclear power—

Mr. John Yakabuski: No, I’m talking about the wind.

Hon. Bob Chiarelli: No, no, I want to answer your question. Nuclear power sometimes gets paid when they’re not generating. Gas sometimes gets paid when they’re not generating. Hydroelectric sometimes gets paid when they’re not generating. We have a contract on the power purchase agreements that says, “You are building this capacity for us. We can ramp you up or down.” They’re not going to build—

Mr. John Yakabuski: When do you pay nuclear when they’re not generating? Give me the circumstances—

Hon. Bob Chiarelli: Bruce Power.

Mr. John Yakabuski: No, when do you pay them when they’re not generating? You’re paying them when you’ve got a surplus and you’ve forced them to blow off steam because you’re letting something else into the system. There’s never a time—

Hon. Bob Chiarelli: I’m—

Mr. John Yakabuski: Minister, when we hit our lowest-demand time, there would never be a situation when our demand in Ontario would be lower than our nuclear output of itself. There would never be more nuclear power in the system than the demand of Ontario as a whole. So if you’re paying nuclear for not generating, you’re buying something else to put in the system.

Hon. Bob Chiarelli: I know that the IESO dispatches nuclear up and down, and I’m going to ask the deputy to explain how and when that happens, or, in the case of Bruce Power—

Mr. John Yakabuski: I don’t really need the explanation.

Hon. Bob Chiarelli: So you accept what I’m saying.

Mr. John Yakabuski: No, I’m not accepting it. I’ll give your deputy a minute.

Mr. Serge Imbrogno: I was just going to say, on the wind, we negotiated changes to the existing contracts for the OPA that allow the OPA to curtail, dispatch the wind for a certain amount of hours that they wouldn’t be paid—

Mr. John Yakabuski: All of them?

Mr. Serge Imbrogno: All the existing contracts, for a certain amount of hours each month. So up to that amount, the OPA doesn’t have to make the additional payments when they’re dispatched.

The other thing I would add in terms of the generation mix that the minister talked about, having that balanced mix: For natural gas, you have a high variable cost, low capital cost and high emissions relative to renewables; whereas with renewables, you have low variable—zero; when the wind blows, you don’t pay for that—but a high capital cost.

Mr. John Yakabuski: But you had to build all that gas to back up the wind.

Mr. Serge Imbrogno: But it’s that mix, right? If you put too much of your mix into gas, you have high emis-

sions and you have that risk of natural gas prices going forward. You offset that risk by having more renewables, a high capital cost, but low variable cost and low emissions. It's that mix that the minister was talking about, where you don't put all your investments in one area.

Mr. John Yakabuski: I understand. There are a lot of different generation types in our system, and I suppose it makes sense. The fact that you're bringing in so many megawatts of something that you don't have control over—you have to have that gas. You wouldn't have to have as much gas in your system if you didn't have as much wind. You've got to have that backup. Because you have wind, you have to have something that you can control in case the wind isn't blowing. That's a fair assessment, is it not?

Hon. Bob Chiarelli: Right now, Alberta has about 8% of their capacity in wind. Quebec is building wind. Quebec is very, very high on—

Mr. John Yakabuski: I'm not asking you about it—

Hon. Bob Chiarelli: No, but—

Mr. John Yakabuski: I'm doing the estimates committee in Alberta next week.

Hon. Bob Chiarelli: The fact of the matter is that good system operators are putting an amount of wind into their system, such as Alberta, such as Quebec, Maritime provinces, many states in the United States. Ontario is doing it. They're doing it for a reason.

Mr. John Yakabuski: That's not my question. My question is, if you didn't have as much wind as you have in the system, you wouldn't have needed as much gas to be built in order to back up that wind, because if the wind stops blowing, you have to have something that you can ramp up quickly. Like you said, gas you can ramp up fairly quickly, so that you can make up for that loss of power if the wind isn't blowing. Is that not, in general, a fair statement, Deputy?

1640

Mr. Serge Imbrogno: Well, I'd say that you need that variety in the mix. You have, as the minister said, the baseload nuclear ones all the time, you have the intermittent load, and then you have gas that takes up the slack, either up or down. I think it's that mix—

Mr. John Yakabuski: I think you're saying exactly what I did, just—

Hon. Bob Chiarelli: No. If you're using more gas, you have more emissions, so if you have wind available, you would have to dispatch less gas and less emissions. It's a cleaner system.

Mr. John Yakabuski: Only if it's operating.

Hon. Bob Chiarelli: That's why you have a variety of—

Mr. John Yakabuski: If you had 100,000 megawatts of wind, and no wind blew that day, how much power would you produce? It's sort of like if a hen and a half laid an egg and a half in a day and a half—just a riddle for you. If you had 100,000 megawatts of wind, and none of it blew, how much power would you produce that day? Zero.

Hon. Bob Chiarelli: There are gas plants that are just peaking plants.

Mr. John Yakabuski: Understood.

Hon. Bob Chiarelli: They generate very, very little—for example, if you look at the Thunder Bay gas plant, which is now being converted, when it was operating—sorry, it was coal. But when you have them operating—

Mr. John Yakabuski: Thunder Bay is being converted to what?

Hon. Bob Chiarelli: Biomass. It was the last coal one to be eliminated, and it's gone to biomass.

Mr. John Yakabuski: Atikokan has gone to biomass.

Hon. Bob Chiarelli: Both of them are.

Mr. John Yakabuski: Well, Thunder Bay's not operating on biomass yet, is it?

Mr. Serge Imbrogno: It's being converted—

Hon. Bob Chiarelli: They're both operating on biomass now. I was up in Atikokan three or four months ago and they had started it.

Mr. John Yakabuski: Started it.

Hon. Bob Chiarelli: Thunder Bay is about to get started.

Mr. John Yakabuski: Oh, okay. Atikokan is done.

Hon. Bob Chiarelli: But if you take the gas plant in Napanee, which is closer to your home—

Mr. Serge Imbrogno: Lennox.

Hon. Bob Chiarelli: Lennox.

Mr. John Yakabuski: Yes, I was going to say, the gas plant in Napanee—

Hon. Bob Chiarelli: It's Lennox.

Mr. John Yakabuski: —I guess we're going to see that someday.

Hon. Bob Chiarelli: No, in Lennox.

Mr. John Yakabuski: That's the billion-dollar gas plant.

Hon. Bob Chiarelli: In Lennox, okay?

Mr. John Yakabuski: Yes.

Hon. Bob Chiarelli: It's a peaking plant, so it might only be operating at 5% or 10%.

Mr. John Yakabuski: That's why you need to build another gas plant next door.

Hon. Bob Chiarelli: So when demand is highest, they bring the penalty-killer out for his two minutes on the ice.

Mr. John Yakabuski: How much time do we have?

The Chair (Ms. Cindy Forster): Three minutes.

Hon. Bob Chiarelli: They come out so that you can meet your peak.

Mr. John Yakabuski: Okay. I think we're saying the same thing; we just have philosophical and ideological differences. I'm going to accept that we're not likely to agree, but I think we just wanted to make some of those points.

Now, I don't have a whole lot of time left in this segment, but I'm going to move on to something else in the next segment. In these three minutes, I'm going to ask you about the capacity market you talked about in your very, very well-received speech at the APPRO conference last night. It sounds to me like you're basically saying that people are going to get into the market on their

merits—not people, but generators are going to get into the market on their merits. But it sounds like there are going to be a lot of rules or points attached to different characteristics. You're going to get a lot of points for being this or being that; as you get into that market, it's going to be based on "green," "clean" or "reliability." You named them, Minister, not me, so you obviously know it better than I do.

How tilted is it going to be to favour one type of generation over another? You claim it's going to be completely open and fair, but then you put all these caveats in there. How tilted is it going to be to favour one type of generation over another?

The Chair (Ms. Cindy Forster): You have one minute.

Hon. Bob Chiarelli: It's not going to be favoured in any way, shape or form, but what most capacity auctions—or markets, as some people would call them—would do is that there are certain requirements to operate the system. It's not to favour one or the other; it's to put into the procurement or into the market auction as to what we need. Let's say, hypothetically—

Mr. John Yakabuski: Oh, they don't deal with hypotheticals. Mr. Delaney said that they don't deal with hypotheticals.

Hon. Bob Chiarelli: Okay, well, that's a big word. Let's assume, okay?

Mr. John Yakabuski: Oh, do we want to—go ahead, sir.

Hon. Bob Chiarelli: If it's felt that they needed something that can help achieve peak quickly, then it might suggest that gas could be a part of what they want to bring to the table. Let's assume that they're procuring 500 megawatts. Well, they could bring 100 megawatts of gas. They could bring X amount of conservation. It's the proponent that can choose what they want to put into the auction.

As I mentioned last night, and very, very clearly, the—

Mr. John Yakabuski: But it's not who puts it into the auction, it's who makes the decision who wins that bid.

Hon. Bob Chiarelli: The capacity auctions are basically very varied in terms of where they are.

The Chair (Ms. Cindy Forster): Thank you, Minister. Your time is up.

Hon. Bob Chiarelli: Alberta has one that has certain attributes; US jurisdictions have others. So we are going to consult with all of our stakeholders—

The Chair (Ms. Cindy Forster): Thank you, Minister.

Hon. Bob Chiarelli: —and you will have the opportunity to contribute—

The Chair (Ms. Cindy Forster): I'm turning it over to Mr. Tabuns now.

Mr. Peter Tabuns: Thank you, Minister.

Hon. Bob Chiarelli: —your opinion on the capacity markets as well.

Mr. Peter Tabuns: Thank you.

Mr. John Yakabuski: And I'm sure you'll offer me a briefing.

Mr. Peter Tabuns: And thank you, Mr. Yakabuski.

Minister, yesterday you talked a little bit about the proposal that the Electricity Distributors Association has put together to buy Hydro One distribution assets. Do you and your officials have a copy of their proposal?

Hon. Bob Chiarelli: They've made it public, to my knowledge. They've issued a press release on it. We've had meetings where they've described it to us verbally. I certainly will be happy to get in touch with them and ask them to make whatever they have available to you. But they've been very open about it. They've mentioned it to a number of people. They did send a letter to us at one point. I'm happy to give you a copy of the letter that they sent to us at one point—

Mr. Peter Tabuns: That would be great. If we could have that noted.

Hon. Bob Chiarelli: —and our response as well.

Mr. Peter Tabuns: Yes, I would like both.

Hon. Bob Chiarelli: Okay, for sure.

Mr. Peter Tabuns: That would be good. Thank you. I appreciate that.

Can you summarize the shape of their proposal? Do they want to buy the assets as a whole? Do they want to buy only parts of assets that are adjacent to existing LDCs that want to expand?

Hon. Bob Chiarelli: I'm going by recollection, okay? I don't have it with me right here now, but from meetings we've had with them etc., my understanding is that the nature—at a high level—of what they are proposing to do is to put together a collection of existing LDCs which are members of their association, the Electricity Distributors Association. They then want to offer to take over the operations or purchase Hydro One generation. In a sense, it would be a significant consolidation.

They had terms that my recollection is were unacceptable at this point because of the nature of their offer. For example, they wanted to buy them at book value, and book value is depreciated value; it's not market value. The trading in LDCs or utilities is usually based on a value per customer, the number of customers you have times the value. They take into account the nature of the business as well. So they were not in the ballpark.

They have never made a concrete legal offer. What they have said is, "This is the type of offer we'd like to propose or perhaps negotiate." It was very non-legal in nature. But my understanding is that they have indicated that if and when—and it's a big if—some of Hydro One's distribution is put up, they would likely be a bidder on it. It would not be private sector, as you had suggested.

There is a concept out there—there's no entities that we know of—that other utilities might want to be a bidder, such as Toronto Hydro and one or two others. It's not just this group. So it's not necessarily going to be private sector capital, a private sector operator, although if there are LDCs that come to the table to purchase, they may be using private sector financing to make it happen.

I'm trying to be as precise as I can without having the papers in front of me—

Mr. Peter Tabuns: No, I'm appreciative.

Hon. Bob Chiarelli: —and I'm happy to sit down with you and talk to you about how that evolved and where it may end up.

Mr. Peter Tabuns: Okay. When we talk about most of these local distribution companies, and I have more familiarity with Toronto Hydro, they don't have a lot of extra capital sloshing around. If Toronto Hydro had extra capital, they'd probably be investing it in their assets.

1650

You've mentioned the potential for private partnerships. Will these companies—or have these local distribution companies talked to you about removing barriers to them taking on board private capital?

Hon. Bob Chiarelli: No. No, they haven't. If you want to look at one example that's out there, and I have no idea whether it can be replicated in terms of—I don't know whether you'd describe what I'm going to tell you as this existing model, whether it's considered private capital or not. But if you look at Bruce Power, for example, Bruce Power has an operator, which is Bruce Power. The funding when they took over Bruce Power from OPG came from Borealis, which is OMERS—union money. They also gave equity to the two unions, the society of engineers and OPG—sorry, a power workers' union, for example. So whether you would call Borealis private money or private investment or not, I don't know, but it's pension dollars.

Mr. Peter Tabuns: I understand, but I also understand that British Energy was one of those partners in that initial takeover.

Hon. Bob Chiarelli: Oh, yes, exactly.

Mr. Peter Tabuns: And TransCanada PipeLines is now one of the partners.

Hon. Bob Chiarelli: TransCanada?

Mr. Serge Imbrogno: It started with British Energy, but then Bruce Power became the owner with OMERS, TransCanada and the unions.

Mr. Peter Tabuns: Right.

Hon. Bob Chiarelli: The only point I'm trying to make is that it may be that teachers and OMERS or any other pensions might get together with LDCs and try to put something together. So there are a lot of options that could evolve out of this, but it's still at a due diligence stage in terms of what the procurement might look like, what it might allow etc.

Mr. Serge Imbrogno: Just to add on that, right now, with Enersource, OMERS is a 10% owner of Enersource. It's an existing LDC with private capital investment.

Mr. Peter Tabuns: And that 10% is currently a cap, is it not?

Mr. Serge Imbrogno: Part of the income tax, if you put more than 10%, it becomes—you treat it more as a private company. It pays real taxes, so 10% is kind of an income tax ceiling.

Mr. Peter Tabuns: What changes would have to be made to allow the private sector to increase their ownership of LDCs, let's say to 49%? What are the two or three key legislative changes that would have to be made to allow greater than 10% ownership—say 30% or 49% ownership?

Hon. Bob Chiarelli: All I know is that there's a lot of due diligence being done on the part of the asset committee. That's technically not part of these estimates in the sense that it's the Ministry of Finance that's directing that initiative, but what I can tell you is that the question of taxes, how things would be dealt with fiscally by the Auditor General etc.—they're doing a lot of due diligence in that area and that's not firm yet at this point.

Mr. Peter Tabuns: Are there any particular legislative changes that would have to be made to allow municipalities to invest in these utilities so they can make the purchase?

Hon. Bob Chiarelli: I believe not, because they're doing it now. You had—

Interjection.

Hon. Bob Chiarelli: Yes, Enersource. I mean, they basically privatized that portion of it and they didn't require legislation.

What other consolidations took place?

Mr. Serge Imbrogno: PowerStream.

Hon. Bob Chiarelli: Yes. PowerStream has acquired three or four different LDCs, and it didn't require legislation. So I guess the answer is no.

Mr. Peter Tabuns: Is legislative change being looked at in the course of this process to allow greater private ownership of these municipal utilities?

Hon. Bob Chiarelli: I'm not aware that it is.

Mr. Peter Tabuns: Okay. I tried to ask this question yesterday and we simply ran out of time. Have you briefed Mr. Clark and his panel on Hydro One, how it operates and what the consequences would be of selling off all or parts of it?

Hon. Bob Chiarelli: Mr. Clark has had unfettered access to senior management at OPG and at Hydro One. He's, on a confidentiality basis, doing that. So he is informing himself independent of our opinion so he can give us independent advice.

Mr. Peter Tabuns: Okay. Hydro One is the largest amalgamated distribution company in Ontario. It sells \$4 billion worth of power. Toronto Hydro sells about \$3 billion. How does it advance the effectiveness of Hydro One to have all or part of its distribution companies sold off? You don't have a more amalgamated distribution company in this province right now.

Hon. Bob Chiarelli: There may be that option. There may be more consolidation that comes out of a particular purchase and it wouldn't be improbable one way or the other. Again, I'm really talking out of turn here because this is really an issue that the Minister of Finance should be talking to, because the enterprise assets are being looked at as a whole in terms of what value collectively can they bring to the government in a way that is reasonable, at least from the government's point of view.

Mr. Peter Tabuns: Let's say—

Hon. Bob Chiarelli: So—

Mr. Peter Tabuns: Sorry, go ahead. Finish your—

Hon. Bob Chiarelli: I guess that's all I can say on that point.

Mr. Peter Tabuns: Fair enough. Should, let's say, Enersource—I say this not because I have any informa-

tion to this effect, but let's say they were to decide to buy part of Hydro One. They would be taking on cost, and they would have to raise capital. Is it fair to assume that when they go to the Ontario Energy Board, the regulator would allow them to pass the cost of that capital onto their customers?

Hon. Bob Chiarelli: Well, first of all, it's hypothetical. Many things could come—

Mr. Peter Tabuns: No, I understand that, but would the OEB be allowed—

Hon. Bob Chiarelli: Let me answer that quite, let's say, on a high level.

Mr. Peter Tabuns: Okay.

Hon. Bob Chiarelli: The Ontario Energy Board would likely have to deal with these issues. I'm not going to pre-empt what I think their authority is or is not at this particular point in time. PowerStream or Enersource, individually or collectively, who knows, might—but the other issue is, I would assume that the Ontario Energy Board has approved those amalgamations that have already taken place. The amalgamations that would have taken place would have required investment dollars—more capital to go in.

Mr. Peter Tabuns: Right.

Hon. Bob Chiarelli: So, I guess, from a purchaser's point of view, they look at it as buying a business.

Mr. Peter Tabuns: Yes.

Hon. Bob Chiarelli: So I think—which distribution companies did PowerStream acquire?

Mr. Serge Imbrogno: Well, they were the smaller ones around—

Hon. Bob Chiarelli: Barrie was one of them, eh?

Mr. Serge Imbrogno: Yes, like around Orillia, I believe.

Hon. Bob Chiarelli: Yes. So they would look at Barrie and say, "You know what? Barrie now is generating X amount of dividends to the municipality, so it's generating a return. So how much can we invest that will be amortized so that it will pay for our debt at the same time as pay a return, but when the debt is paid off, it will be paying a bigger return?" It's a business proposition for PowerStream to buy the Barrie utility.

Mr. Peter Tabuns: So I guess the essential question for me is this: The OEB would not prohibit a purchaser from passing on the cost of the purchase to the ratepayers?

Hon. Bob Chiarelli: They might.

Mr. Peter Tabuns: What would be the basis for doing that.

Hon. Bob Chiarelli: I don't want to pre-judge what the OEB does.

Mr. Serge Imbrogno: I think the regulatory principle is, if a buyer pays a premium for that asset, you can't pass that additional premium onto the ratepayer. So the buyer would be making a business decision to say, "I'll pay that premium, but over time I think I can derive more efficiencies and get my rate of return that way." You can't just pass on the premium that you pay onto the ratepayers.

Hon. Bob Chiarelli: I want to make very, very clear that we, collectively, have indicated to Mr. Clark and whoever is going to be making those decisions that one of the factors is that if any transaction results in an increase in rates, then it's a non-starter for us.

1700

Somebody may very well feel they can go in and operate more efficiently than, let's say, Hydro One networks is doing, and they take that into account in their purchase. I don't know whether the OEB would take that into account or not. I don't know enough about the functioning of the OEB without getting some research on it to answer that question. You could probably research and end up knowing more than I do.

Mr. Peter Tabuns: Who knows? Anything could happen.

Going back, let's assume that a company buys and they're not allowed to pay a premium. Two years down the road, they find out their business case was faulty. They can't afford to go bankrupt. No municipality's going to let their local distribution company stop functioning. Is there anything that protects the ratepayers from having those financial difficulties from not being passed on to them?

Hon. Bob Chiarelli: I can speculate—that's all I can do—that whatever bidding process is going to take place, there will be protections that are put in to protect the ratepayers.

Mr. Peter Tabuns: Are you expecting that amalgamation of local distribution companies with Hydro One will give rise to efficiencies and a reduction in costs? Is that part of your assessment of where this goes?

Hon. Bob Chiarelli: That's part of the assessment of the Murray Elston—

Mr. Peter Tabuns: Yes, I remember the report.

Hon. Bob Chiarelli: —report etc. It said quite clearly that, over a period of 10 years, with some reasonably significant amalgamation or consolidation, it would be more efficient and it would reduce price pressures for the ratepayer. That's the general principle that they've applied to consolidations.

I had the numbers in my remarks yesterday. In California, which has, I think, three or four times the population of Ontario, they have four distribution companies.

Mr. Peter Tabuns: Yes, you made those remarks yesterday. That's right.

Hon. Bob Chiarelli: So consolidation will generate efficiencies. That's for sure.

Mr. Peter Tabuns: I'll move on from that. The status—

Interjection.

Mr. Peter Tabuns: Thank you, Chair. The Bruce B refurbishment negotiations: Can you tell us the status as of today?

Hon. Bob Chiarelli: As of today, no. I have not been informed today or yesterday or this week what the status is. Perhaps I can turn it over to the deputy.

Mr. Peter Tabuns: Your latest status would be useful.

Mr. Serge Imbrogno: The OPA has a negotiating team. That's been assembled and they're negotiating with

Bruce. They post on the site the updates. I think it's ongoing. I don't think there's any pertinent or imminent decision, but it's an ongoing discussion.

Mr. Peter Tabuns: And will the outcome of that negotiation be subjected to a hearing at the OEB before it's finalized by the government of Ontario? Will there be a public review process in front of a regulatory body?

Hon. Bob Chiarelli: I don't have the answer to that. You see, the Bruce Power agreement right now still has time to run on it. So this is an amendment to an existing one. That's number one. Number two, I don't know, again, to be fair, whether or not that would be reviewed by the Ontario Energy Board.

Mr. Peter Tabuns: Is it your intention to have it reviewed?

Hon. Bob Chiarelli: I can't answer that question right now. I haven't personally considered that issue at this point.

Mr. Peter Tabuns: Can I ask your deputy if he's thinking about making a recommendation to you?

Mr. Serge Imbrogno: Maybe I could just say, the previous negotiations between the OPA and Bruce was that the OPA would do the due diligence and make a recommendation to the government. So it didn't go under an OEB process. It was under an OPA process, where they would hire all the financial advisers and do all the due diligence. The government itself would hire its advisers to do the due diligence as well. So that was a process that was followed initially.

Hon. Bob Chiarelli: It's not considered a regulated agency, Bruce Power—

Mr. Peter Tabuns: No, I understand that.

Hon. Bob Chiarelli: —because it's a power purchase agreement. If it went to the OEB on a regular basis to be rated, then they probably would have jurisdiction over it. For example, on a large renewable, it's a power purchase agreement. The OEB doesn't sign off on that.

Mr. Peter Tabuns: But would you have the authority to ask that it be reviewed through a public hearing at the OEB?

Hon. Bob Chiarelli: I'm not sure.

Mr. Peter Tabuns: Could I ask you to check into that and get back to this committee with a response?

Hon. Bob Chiarelli: Well—

Mr. Peter Tabuns: I'm asking whether you have the power. I'm not asking whether it's currently—

Hon. Bob Chiarelli: Whether I have the power or not—I mean, the Ontario Energy Board Act and the regulations set out what their powers are. You could go and look at that just as easily as we could. You might come to your own conclusion; I might have a different conclusion. But I would say that their power and jurisdiction are in the act, and I'm not going to interpret it here.

Mr. Peter Tabuns: I'm asking if you, as the Minister of Energy, would have the power to send this matter to the OEB for hearings, just as you've currently asked the OEB to look at the Energy East pipeline. They're not looking at Line 9; They're looking at Energy East. I'm

assuming that you made a request of them to look at Energy East—

The Chair (Ms. Cindy Forster): Mr. Tabuns, your time is up.

Mr. Peter Tabuns: What a shame, Chair.

The Chair (Ms. Cindy Forster): We'll move on to the government. Ms. Kiwala, 20 minutes.

Ms. Sophie Kiwala: Thank you. I wanted to thank you for being here. It's been interesting to hear the various ministers and what they have to say. The area of energy is one that is paramount in our riding. I'm very thankful for the commitment that the Ontario government has given to clean energy and clean energy technology.

Eliminating coal-fired plants is certainly a feather in our cap that I'm very proud of, and I know that all of our MPPs are proud of as well. It's something that resonates in our community, and that fact continuously comes up in Kingston and the Islands. In fact, during the election I had a debate on energy. I was new to it at that time, so I did a lot of studying for this debate. We reviewed many different aspects of energy and many different angles of those subjects. I studied to death, I have to say, enjoyed it immensely and learned a lot. After the debate was over, a senior research associate at Queen's in energy and environmental policy said to me, at the end of the debate, "Why didn't you just answer every question with, 'Well, we got rid of coal-fired energy plants'?" That's an understatement, an oversimplification. We're absolutely delighted, and I know that many people in this province are as well, that we have done that. It's a huge accomplishment.

As you're aware, Kingston has been a little bit of a hub in the clean energy field. We've got Queen's University, we've got St. Lawrence College with a very well-attended energy systems engineering technology program. Clean energy technology has provided 2,700 clean tech firms in Ontario and employs 65,000 people, which is very impressive. I know we've generated significant investments and jobs, and to borrow a term from our colleagues in the opposition, no matter how you slice or dice it, clean energy has a profound, positive impact. So we can debate here in this committee different angles of it, but overall, I believe it's very positive.

Since the Green Energy Act was implemented, there have been instances of municipalities who have felt that they have not had sufficient input into the siting of renewable energy projects in their communities. You know that in my riding there were concerns over how much input local councils have on Wolfe Island. It is my understanding that before they embarked on their wind project, there was an extensive consultation process that was undertaken. As you can imagine—and I know you are aware—these projects have the potential to divide communities. Landowners are often in favour, especially if there are monetary gains. And with all things new there's always some anxiety about what we can expect from change, questions about property values, disruption to land, effect on neighbouring properties, issues with construction like dust, supplies, expert labour. In the case of Wolfe Island, transportation was a significant factor,

because of course we had the ferry system being used and you had huge wind turbines coming over on the ferry, so it was a pretty challenging issue in our community. To say that the particularities of this scope of project was a challenge is an understatement.

1710

So now we have 86 turbines on Wolfe Island generating power, landowners are benefiting, and we have a growing nucleus of students coming out of the St. Lawrence College program who are receiving expert training in their field, making them capable of building these projects. And we've actually had the benefit of tourism from the wind turbine project. People are coming over on the ferry, they're driving over to have a look at the turbines.

So my question to you is more about the siting of these projects and what changes you're making to give municipalities, communities, and First Nation and Métis communities more control over the siting of renewable energy projects.

Hon. Bob Chiarelli: Thank you for the question. I have to say congratulations to Kingston and area for their leadership in this area of renewable energy. I know that there are a number of projects related to renewable energy that are very helpful to the system.

Our government's priority, as we've said over and over again, is to build clean, reliable and affordable energy in a way that respects communities. Certainly, renewable energy—wind, solar—has been a significant part of replacing dirty coal. We're the first jurisdiction in North America to completely eliminate coal.

From the beginning, we have been attentive to respecting communities in siting. We had several years of experience with respect to large wind turbines. We decided that we could tighten up the relationship with the municipalities. Last summer, the Ontario Power Authority and the IESO, or the Independent Electricity System Operator, engaged with municipalities, First Nations, community associations and others to get their feedback on large renewable procurement. Large renewable procurement basically is the very large solar farms and wind turbines. The consultation was across the province. It was very substantive, and we had a lot of uptake in the consultations. Mayors and councillors spoke, and spoke loudly; communities spoke, and we listened. As a result, we have increased local control over renewables siting and brought stability and predictability to procurement.

For large renewable projects—essentially wind turbines—the OPA has developed a new bidding process in which projects that have the support of local communities will be given priority. So the large renewables have been taken out of the feed-in tariff program, and a separate type of procurement—procurement that can be tailored for large wind turbines and can be tailored to have much more significant involvement by the local community.

So we've increased local control over renewables siting, and for large renewables, the Ontario Power Authority has developed a bidding process in which projects

that have the support of local communities will be given priority. What that means, in effect, is that for the bidders it will be very, very difficult to successfully win a contract for wind turbines unless they've had a significant engagement with the municipality. We're very confident that that will be the outcome.

We changed small feed-in tariff program rules to give priority to projects that are partnered with, or led by, municipalities. That would include solar and other types of projects that are considered to be small. You're talking about solar rooftops on municipal buildings, on libraries, and that type of thing. We've changed the process for that so that if you're partnered or led by a municipality, or a municipality has an involvement in it, then it will be very beneficial to the municipality.

We worked with the municipalities to implement a property tax rate increase for wind turbines so that the municipalities would generate more revenue from the turbine towers.

Again, our government is committed to investing in renewable energy and doing so in a way that respects communities and gives them a stronger voice. The new process for large renewables—or for the wind turbines—will take into account local needs and considerations before contracts are offered, so it becomes part of the RFP process. Engagement with municipalities and First Nations communities will be a critical element of the LRP program.

We have introduced funding for small and medium-sized municipalities to create municipal plans that incorporate energy in the local planning process. In effect, we're assisting municipalities to be part of the energy planning process. We have worked with the OPA and the IESO to put a lot more emphasis on regional planning for electricity, so municipalities—and we're helping the smaller ones with funding to put together plans for their community for the energy and electricity sector. The changes have a net result of giving municipalities a very, very significant say in moving forward. It also gives them opportunities to partner and to generate an income flow for the municipality.

We now have gone through our first large procurement start. We've had an RFQ process and we've selected a number of people.

How many megawatts in this procurement, do you know?

Mr. Serge Imbrogno: Three hundred.

Hon. Bob Chiarelli: Three hundred? Three hundred megawatts. And now we're getting ready to go through the procurement process. We're still working with a draft, still fine-tuning it to make sure that municipalities will have sufficient protection in the procurement.

I might ask Kaili, who's our deputy minister responsible for renewables, to speak to this issue as well.

Mr. Serge Imbrogno: She's our assistant deputy minister.

Interjections.

Ms. Kaili Sermat-Harding: My name is Kaili Sermat-Harding. I am assistant deputy minister of con-

servation and renewable energy at the Ministry of Energy.

Thank you very much, Minister, for the opportunity to perhaps add a few remarks to what the minister has already outlined, in terms of, particularly, the large renewable procurement and the work that's gone into developing quite a new process there.

Perhaps I could just spend a few minutes talking a little bit about the work that went into the development of this new process and some of the significant engagement that the OPA did conduct over the period of a good year or so in working through options for building in more community engagement into this new RFP process. A draft RFP was posted for public comment just earlier this week. It's available on the OPA's website for review.

As the minister indicated, this new competitive procurement process is really intended to ensure that local needs and considerations are taken into account before contracts are offered.

1720

Following the minister's June 2013 directive, the OPA undertook initial engagement activities, including webinars for all interested stakeholders, targeted webinars for municipalities and aboriginal communities and organizations, and group meetings open to all stakeholders and prospective proponents. As the minister mentioned, these engagement activities were well attended and well received, with over 350 participants providing helpful and valuable feedback.

Taking this feedback into consideration, on August 30, 2013, the OPA submitted to the minister an interim report with recommendations on moving forward with the LRP process. It summarized the results of the research the OPA had been conducting in conjunction with the engagements that had been held in the summer.

Following that, in December 2013, as has been discussed through these discussions to date, the ministry issued the long-term energy plan, which included large renewable procurement principles, technology targets and rollout timelines. In accordance with the long-term energy plan, the first round of the large renewable procurement program includes the following technology-specific targets: 300 megawatts for wind, 140 megawatts of solar, 50 megawatts of bioenergy and 75 megawatts of hydroelectric—that had been updated in 2014 from the 50 megawatts set out in the long-term plan.

On December 16, 2013, the minister directed the OPA to proceed to design and develop the large renewable procurement process, including direction to conduct further outreach with the public, municipalities, the renewable energy sector, First Nation and Métis communities, and the Association of Municipalities of Ontario to gain further input on the specific design elements before reporting back to the minister with some final recommendations for a proposed design.

Following these further engagement activities at the end of February, a final report with recommendations was submitted by the OPA to the minister. The report distilled numerous suggestions and recommendations

made to the OPA during these stakeholder consultations and provided recommendations for both the request for qualifications process as well as the request for proposals stages.

In March 2014, the minister concurred in the OPA's recommendations, subject to some additional direction, and directed the OPA to develop a draft request for qualifications and draft request for proposals for the large renewable procurement process. The purpose of the request for qualifications was to qualify applicants for a request for proposals.

The March 2014 minister's directive stated that qualifications of applicants and their respective project teams should be robust, in order to minimize the risk that projects fail to reach commercial operation. The direction outlined these qualifications, including appropriate financial capacity, appropriate energy development experience or other appropriate experience developing large infrastructure projects and, important to this discussion, experience with engagement with municipalities, experience with regulatory approvals and experience undertaking the procedural aspects of consultation with aboriginal communities that are required in order to support the crown's duty-to-consult obligations.

In April 2014, the OPA posted the draft request for qualifications for review and comment, and on July 14, 2014, a final request for qualifications was posted and opened for submissions until the beginning of September. In conjunction with the final request for qualifications posting, the OPA posted a preliminary request for proposals framework document for public and stakeholder review and comment, also until early September. That framework set out proposed key elements for the large renewable procurement request for proposals.

During this period, the OPA also hosted a public webinar on the request for proposals framework. In addition, ministry and OPA staff met with the Association of Municipalities of Ontario Energy Task Force to discuss the proposed framework. The OPA also held a municipal webinar on September 10 to discuss in particular the community engagement criteria outlined in the framework.

On November 4, 2014, the request for qualifications process concluded with the OPA posting on its website a list of the 42 qualified applicants that were successful in the process. On November 7, the minister gave further direction to the OPA regarding the large renewable procurement request for proposals, including directing the OPA to require applicants to complete mandatory community engagement activities and directing the OPA to establish some rated criteria that reflect a strong emphasis on local community engagement and support, including rated criteria for rigorous engagement activities that may exceed the mandatory requirements, and rated criteria for aboriginal economic participation that reflect the unique circumstances of First Nation and Métis communities.

A draft request for proposals, which reflects the feedback received through the consultation, as well as the

minister's directive, as well as a draft contract were posted on the OPA's website on November 17 for review and comment by stakeholders, municipalities, aboriginal communities and other interested parties. That is available for comment until December 19. All of the feedback received will be considered and is expected to inform the development of the final request for proposals for the large renewable procurement expected to be released in early 2015.

The Chair (Ms. Cindy Forster): Excuse me, you have one minute left.

Ms. Kaili Sermat-Harding: Okay, so I think that's well-timed, then. Again, just to recap—I don't know if the minister would like to add anything—it's certainly an expectation that we will be seeing cost-efficient and well-supported projects coming forward in the process.

Hon. Bob Chiarelli: I just want to underline, with respect to municipal engagement, I went to AMO on a number of occasions and we had a very frank discussion about what would be an acceptable level of consultation and what form that consultation will take. I know that our senior people on an ongoing basis work very, very closely with the Association of Municipalities of Ontario.

So we have a very significant confidence level that we have a very positive program moving forward. We have a lot more interest now, in fact, in municipalities engaging for their own purposes, in terms of partnering or working out arrangements so that the municipality can get benefits out of large renewable projects moving forward.

With that, I guess I must have run out of time by now.

The Chair (Ms. Cindy Forster): You have. Thank you, Minister.

We'll turn it over to the official opposition. Mr. Yakabuski.

Mr. John Yakabuski: Thank you, Minister—I mean, Assistant Deputy Minister Kaili for—

Hon. Bob Chiarelli: It's very easy to make that mistake, because I know Serge does his job so well that any of the ADMs, just by a process of osmosis, become as efficient as any deputy in the system.

Mr. John Yakabuski: Were you a science teacher? Can you explain osmosis? On your time, not mine.

Anyway—

Hon. Bob Chiarelli: I still want the opportunity to spell "conservation."

Mr. John Yakabuski: Okay. I'll arrange a briefing for you, Minister. Don't worry about that.

I just want to pick up on what Ms. Kiwala was talking about, the siting process and the municipal engagement. It's funny that we have this Liberal view, and you know I'm not a partisan, that somehow everything that can be done to engage the municipalities and communities—I don't know how many times I've heard the word "consultation," but I've heard it enough that I can almost spell it now. Consultation, consultation—I hear it ad infinitum, that you guys are into this consultation about siting of wind turbines—

Mr. Bob Delaney: Can you spell "infinitum"?

Mr. John Yakabuski: Just give me a chance there. Give me a pen and paper and I'll figure it out, Bob.

But when you talk to the communities, it's like they're living in two different worlds. I don't know what you guys consider consultation. I think that it's somebody drives by in a van with the Ontario logo on it and waves a placard, "We're here to talk," and that's it. Because all across Ontario you keep hearing, over and over again, "No, we don't want these monstrosities in our community," and every time I turn around, they keep getting approved. It's like it's a tilted playing field. They can't win their appeals. I mean, there's just one that started up in Pontypool there the other day—the Cham Shan Temple, the Hindu temple there up in Pontypool—

Mr. Han Dong: It's a Buddhist temple.

Mr. John Yakabuski: Pardon me, a Buddhist temple. Thank you, Mr. Dong. I get my religions right at the appropriate time. It's the same thing as transparency; you understand that.

So there's this Buddhist temple that fought against having wind turbines. There's a good chance they may not go ahead with building their temple. Yet your ministry and the government and the Premier just close their ears and are not interested in any of that, like those six turbines or whatever are going to make the difference in Ontario's power picture.

1730

But there has been no community engagement, and when you talk about that, it actually irritates me. It gets the hair on my neck bristling, because it is absolutely counter to what we're hearing out there. You can call anything you want consultation. A five-minute conversation could be considered consultation. But there's no meaningful consultation on that issue whatsoever, and you're just basically running roughshod over the people. But I have no question in that regard; I'm just making a statement.

Hon. Bob Chiarelli: I have an answer.

Mr. John Yakabuski: I'm sure you do. But we're going to move on to something else right now. I want to talk about the LEAP program, the Low-Income Energy Assistance Program.

My county, Renfrew county, is a low-income county. Other than a couple of federal installations—one being AECL, the other being Garrison Petawawa—we depend on pretty basic employment, a lot forestry and stuff like that, and tourism. There are not a lot of high-income earners, so my office is inundated with requests for people to get some assistance on their hydro bills.

When you came to power, Minister—not when you came to power personally, because I know you weren't here in 2003, but when your party came into power in 2003, electricity was 4.3 cents a kilowatt hour. It has now more than tripled. At the peak, what is it now, 14 cents a kilowatt hour, under the system today, from 4.3 cents?

We've got a lot of low-income people, low-income seniors. They don't have gold-plated pensions from the government or anything like that, and they're struggling terribly. So my office is inundated with requests to help

them through their winter. Michael was just telling me that it's getting awful out there right now, even here in Toronto, so you can imagine what it's like up in Renfrew county. In fact, I was talking to my wife this morning, and she said we've got about six or seven inches of snow up there and it was blowing like crazy last night.

I'm not looking for any help on my hydro bill yet, but I'll let you know. But we do have a lot of people in the county who do.

Hon. Bob Chiarelli: You're getting it, even though you're not asking for it.

Mr. John Yakabuski: No, I'm not getting it. But anyway, now your rates are going up, by your own admission, 42% in the next five years.

The LEAP program ran out of money last year, but it didn't run out of money everywhere. For example, in Toronto there was a \$460,000 surplus. Now, why couldn't that money be redistributed to the places where—I mean, we're calling the Lions Club. We're calling the Rotary club. We're calling Kiwanis and the Civitan: "Can you help so-and-so out with their hydro bill this winter?" That really shouldn't be the work of an MPP's office, but that's what we do because we're there to help. But we're doing that because you guys have put people so much behind the eight ball with your energy decisions.

Then you've got the Ontario Clean Energy Benefit, which you have scheduled to cancel by December 31, 2015. Is that still the plan, to cancel the Ontario Clean Energy Benefit by December 31, 2015?

Hon. Bob Chiarelli: It is our plan. It also was the intention of your government to cancel it immediately, if you got elected, in 2012, but that—

Mr. John Yakabuski: I'm sorry to inform you, because it really hurts, but we didn't get elected. I'm really asking you about the estimates of your party.

Hon. Bob Chiarelli: I'm not sorry you didn't get elected, but anyway—

Mr. John Yakabuski: I'm sure you're not. See, there's another thing we disagree on.

Hon. Bob Chiarelli: But I want to tell you, you advocated on an ongoing basis to get rid of the clean energy benefit.

Mr. John Yakabuski: We can't go into all of our energy policy, because we had other things that would have compensated for that, Minister.

But I'm just asking you: So you plan to get rid of it December 31, 2015?

Hon. Bob Chiarelli: And replace it with other programs to benefit consumers—

Mr. John Yakabuski: Okay. Now, can you tell me what those programs are? Because the people out there are worried.

Hon. Bob Chiarelli: The program that was in our budget, that you would have voted against if you had the opportunity to vote against it, had a provision in it—

Mr. John Yakabuski: You're so political.

Hon. Bob Chiarelli: —for the Ontario Electricity Support Program for low- to modest-income families that

would save them \$180 a year off their bills, for low- and medium-income people, and that would have—

Mr. John Yakabuski: What do you define as low- and medium-income people?

Hon. Bob Chiarelli: Well, that's at the OEB now. They're going through the demographics to try to give us the answer, and then we will be bringing that legislation forward as soon as we get the answers from the OEB.

Mr. John Yakabuski: Would your deputy or any of the ADMs be in those categories?

Hon. Bob Chiarelli: We also are removing the debt retirement charge from the bill, I think three years earlier than originally planned, that would provide \$70—

Mr. John Yakabuski: And five years earlier than you should have.

Hon. Bob Chiarelli: —per year on their hydro bills.

Mr. John Yakabuski: Or later—five years later than you should have.

Hon. Bob Chiarelli: So between the \$70 coming off from the debt retirement charge and the predicted \$180, they would be saving \$250 a year when those are both implemented.

We would probably be very close to implementing those if we hadn't had to go through the election, which unfortunately was forced upon us.

Mr. John Yakabuski: So you're telling me that you're going to replace the Ontario Clean Energy Benefit with something that will be equally beneficial to low- and middle-income Ontario families?

Hon. Bob Chiarelli: It will be lower or better—yes, it will be better than what we have.

Mr. John Yakabuski: It will be better, so—

Hon. Bob Chiarelli: The combination of the debt retirement charge coming off and the new low- to modest-income family provision—

Mr. John Yakabuski: So if you know the details, why can't you give them to me? If you know that it's going to be better, why can't you just give me those details?

Hon. Bob Chiarelli: I'm giving you them now.

Mr. John Yakabuski: No. You're just saying that the OEB is dealing with it right now.

Hon. Bob Chiarelli: No.

Mr. John Yakabuski: So give me the numbers. What's it going to mean?

Hon. Bob Chiarelli: It's going to be \$180 and \$70 for both of those combined. What the OEB is working on—

Mr. John Yakabuski: And what will that mean in total cost? Because if you know what each family is going to get, if you know the total cost, then you must know where those guidelines are, what's low income and what's medium income, because you need to balance that out.

Hon. Bob Chiarelli: The OEB is looking at the demographics of the ratepayers to decide what would be an appropriate—

Mr. John Yakabuski: I understand that, but wherever they level that, that's going to determine, then, what your final costs are going to be. Because if they set those bars low, you are going to have fewer people getting that

benefit; if they set it higher, you're going to have more people getting that benefit. You said that it's in your budget; you must have budgeted. What did you budget?

Hon. Bob Chiarelli: What is flexible in fact is where the cut-off will be to describe them as low etc.

Mr. John Yakabuski: I understand that. Wherever that cut-off comes is going to determine how much money you're going to be required to spend.

Hon. Bob Chiarelli: The deputy will explain how those assumptions work.

Mr. Serge Imbrogno: The Ontario Clean Energy Benefit right now isn't income-based, so whether you make \$200,000 or \$20,000, you still get the 10% credit. So going forward with the Ontario Electricity Support Program that the OEB is now consulting on, it will be more geared towards lower-income families, lower-income individuals. The cost of that program will be paid for within the rate base, so it's—

Mr. John Yakabuski: But the Ontario Clean Energy Benefit, you only get it on a certain portion of your bill.

Mr. Serge Imbrogno: It's 3,000 kilowatt hours per month, but most households don't use that much, so almost every household would get it, small business—

Mr. John Yakabuski: Is there going to be a ceiling on the amount of energy used on the new program?

Mr. Serge Imbrogno: That's something the OEB is looking at, so the minister directed the OEB to consult, to come back with design features for the program. So the numbers the minister is providing you is just taking a certain threshold and providing those numbers. The OEB could come back with higher numbers than that or change the program. The intent is to help low- and moderate-income families.

Mr. John Yakabuski: Okay. So under the LEAP program last year, or for 2012—that's the latest data I have—the ministry gave out 8,053 grants, an average of \$452, a total of \$3,946,000-some-odd, with another \$700,000 unclaimed. So while it makes it sound like you had dedicated more money than necessary to the program, there are 11 distributors that ran out of their funding by April. So how come certain areas are getting too much while others are getting, or got, way too little? I know areas that ran out of money for LEAP, yet you had four hundred and some thousand dollars still sitting, in the city of Toronto.

1740

Who would make the decision that you couldn't pass that money on? You budgeted it. Who would make the decision that you couldn't pass that money on to those who needed it most? Who came up with the figures and the estimates in the first place, that Toronto was going to need \$460,000 more than they actually needed?

Mr. Serge Imbrogno: I could get you more details, but my understanding is that it is based on per LDC—I think it's up to \$600 annually. So I think when you run those numbers, you get a certain allocation by each local distribution company. But I need to give you more details on that. That's what I have right now.

Mr. John Yakabuski: Six hundred dollars per customer?

Mr. Serge Imbrogno: Annually.

Mr. John Yakabuski: What's \$600—

Mr. Serge Imbrogno: I believe it's per family that's eligible.

Mr. John Yakabuski: Six hundred dollars per family for each LDC.

Mr. Serge Imbrogno: Well, there's an allocation—

Mr. John Yakabuski: But if you live in a condominium in Toronto, you're not going to use as much as power as a free-standing home on the plains up in Petawawa, where the wind is blowing fiercely and you're facing the elements 12 months a year on four bare walls. You can't use the same figures for that type—how does that make any sense? Who comes up with this idea?

Mr. Serge Imbrogno: I need to give you more details, because I don't have the exact information about how the calculation is made. It's more based on emergency funding. It's not meant to be—

Mr. John Yakabuski: In the future, is the plan to make this more flexible so that when you're getting to a certain point and the money has run out—the cupboard's bare somewhere, but you've got a surplus somewhere else that somebody can actually use common sense and say, "We've got a problem. There are vulnerable people who cannot pay their hydro bills, and we've got a whole pot of money sitting here." Is there not somebody who can make that call? Is that up to the minister? Is that an order in cabinet? An order in council? What is it?

Mr. Serge Imbrogno: I think the intent of the program that we have the OEB looking at is to address issues of low-income and moderate-income families.

Mr. John Yakabuski: But it failed. It failed.

Mr. Serge Imbrogno: No. The new—going forward. I think Michael has some details on LEAP that might help.

Mr. John Yakabuski: Michael—

Mr. Serge Imbrogno: Michael Reid is the assistant deputy minister—

Mr. John Yakabuski: —Michael Reid, strategic, network and agency policy.

Mr. Michael Reid: It's a long name.

Mr. John Yakabuski: That's a long name.

Mr. Michael Reid: I guess the only thing that I wanted to add is that the minister and the deputy have talked about the OEB doing consultation and designing for the Ontario Electricity Support Program. At the same time, the OEB is also reviewing the LEAP program as well, so—

Mr. John Yakabuski: But the OEB doesn't decide how much money is going into it; you guys do.

Mr. Michael Reid: No, the OEB was asked by the government to develop a program, but it was an OEB-developed program. So the way it works is, there's a certain threshold that each distributor is required to set aside in terms of the revenue requirements. That becomes the pool of money that each distributor has—

Mr. John Yakabuski: So are you saying the OEB screwed up?

Mr. Michael Reid: No, I'm saying they—

Mr. John Yakabuski: So who, in the end, is responsible for a situation where you've got \$700,000 unclaimed when so many people were unable to access the program?

The Chair (Ms. Cindy Forster): You have about two minutes.

Hon. Bob Chiarelli: It's by utility.

Mr. Michael Reid: Yes, it is designed by utility, and, as I said, the OEB is also, as part of their low-income strategy, looking at the LEAP program as well and will come back with recommendations if there are program improvements. They're currently consulting on that and we'll come back with that.

Mr. John Yakabuski: So are you bringing a program to a new program? Or is there a redo of LEAP? In the fall economic statement, there was a report requiring the Ontario Energy Board to report back to the ministry on electricity support programs specifically designed for low-income Ontarians. Has it been started? If so—because we're told that it is done, in the fall economic statement—will you commit to releasing that publicly by December 1?

Hon. Bob Chiarelli: Could you repeat again what the economic statement said, please?

Mr. John Yakabuski: I don't have the economic statement in front of me, but it was mentioned in the economic statement that that report has been done and it's going to be given to you on December 1. Will you release it on December 1?

Hon. Bob Chiarelli: I'm not aware that it's ready at this particular point, but I'm not aware that the economic statement specifically said that as well. I'm happy to respond to whatever the wording is in the economic statement.

Mr. John Yakabuski: So if you receive that report, you will release it immediately? When you receive that report, obviously you have to read it, but you will release it as soon as reasonably possible?

Hon. Bob Chiarelli: We'll release it in a reasonable period of time, quite frankly.

Mr. John Yakabuski: Okay. How much time do I have left?

The Chair (Ms. Cindy Forster): You're done. Thirty seconds.

Mr. John Yakabuski: Oh. Well, thank you very much, Minister. We'll see you next week.

Hon. Bob Chiarelli: Okay.

The Chair (Ms. Cindy Forster): Mr. Tabuns, you've got about 15 of your 20-minute rotation.

Mr. Peter Tabuns: Thank you, Chair. Minister, going back to Bruce Power briefly, should be there overruns in the course of refurbishing those six reactors, will the overrun costs be entirely the responsibility of Bruce Power?

Hon. Bob Chiarelli: First of all, I want to say that in the last Bruce Power refurbishments, there were cost overruns.

Mr. Peter Tabuns: Yes.

Hon. Bob Chiarelli: Bruce Power had to assume that risk and cover that cost. My understanding is that there are similar provisions that are being negotiated into the extension of the agreement with Bruce Power.

I'm going to ask the deputy to comment on that as well.

Mr. Serge Imbrogno: In the previous agreement, the cost overrun was \$2 billion, which Bruce Power would have picked up. It was \$3 billion—\$5 billion to actually do it, so the \$2 billion extra was Bruce Power.

Mr. Peter Tabuns: I'm sorry. If you could be a bit louder. I've got noisy neighbours.

Mr. Serge Imbrogno: I'm just saying that the number previously was—a cost of \$5 billion. Ratepayers' exposure was \$3 billion. So the \$2 billion was for Bruce Power and its shareholders.

Going forward, I think what the OPA has been directed to do through the long-term energy plan is to minimize the risk going forward for the ratepayer. So it's likely you'd pay a price X for that power and it would be up to Bruce Power and its consortia to deliver that power at that price. If they can't, then it's to their risk. That's how the negotiations—

Mr. Peter Tabuns: So all the risk is being transferred to Bruce Power, you're saying to me? They're being told what price they'll be paid and—

Mr. Serge Imbrogno: That'll be part of the negotiation, to figure out what is that appropriate price, and then once it's set—

Hon. Bob Chiarelli: There'll be a power purchase price, and they've got to deliver the product regardless of whether—they've got to meet that price. So if they go higher, then they still get paid the same price. We're not covering that off.

Mr. Peter Tabuns: So that's the directive you've given—

Hon. Bob Chiarelli: Yes.

Mr. Peter Tabuns: —that 100% of the risk is taken by Bruce?

Hon. Bob Chiarelli: Yes.

Mr. Peter Tabuns: Okay. Moving on from Bruce for the moment, over the last decade, there have been numerous reports that have recommended that the province assess the vulnerability of the transmission and distribution system to extreme weather events, given that the planet's getting hotter. I've asked previous ministers about this. What is the status of assessment of vulnerability of our electricity system to extreme climate?

Hon. Bob Chiarelli: First of all, I want to say that there are North American associations, NERC and FERC, that work with the various operating systems in North America. Particularly since Hurricane Sandy, they have determined that the key highest risk factors in the electricity sector in North America are extreme weather events and cybersecurity. So there is a collective movement, if I can put it that way, in North America to put a lot of effort into those areas.

I can't say specifically at this particular point what changes have occurred, but I know that these two issues are uppermost on the agendas of OPG and Hydro One.

Mr. Peter Tabuns: I appreciate that—

Mr. Serge Imbrogno: If I could just add that we have been working closely with our agencies on climate change.

Mr. Peter Tabuns: Yes.

Mr. Serge Imbrogno: We can go through what we've been discussing with each of them and what actions they're taking, if you want more detail on that.

Mr. Peter Tabuns: I would like the highlights, what's been assessed, what vulnerabilities have been—

Mr. Serge Imbrogno: I could ask Michael Reid to come up, because he's been working—

Mr. Peter Tabuns: That would be great.

Mr. Serge Imbrogno: —on the climate change adaptation and the work that we've done with all the agencies. So we have the IESO, Hydro One, OEB, Ontario Power Authority and OPG—we can take you through what we've done there. Also within the ministry, within the government, we've put also together a team that's cross-cutting as well to address the issues. So we can maybe give you a flavour of what the agencies have been doing and what the ministry has been doing.

1750

Mr. Peter Tabuns: Before Michael speaks to this, have you put together a report on what's been done? Is there an electronic or hardcopy of a report that looks at what our vulnerabilities are and what the plan is to take care of them?

Mr. Serge Imbrogno: I think each of the agencies has probably crafted—I know OPG has done something on sustainability, but I'll let Michael maybe address whether there are actual reports from each of the agencies.

Mr. Peter Tabuns: Okay.

Mr. Michael Reid: I can give you a bit of a flavour, maybe agency by agency, in terms of some of the things that they're up to.

Mr. Peter Tabuns: Yes, please.

Mr. Michael Reid: With the Independent Electricity System Operator, for example, weather forecasting has been a big area of focus to make sure that they are prepared to understand and plan for significant or severe weather events that could impact the system and then trigger all of the plans and whatnot to make sure that the system is ready for these severe weather events. That also involves regular tests of the ability of the grid to withstand these severe weather events, to also scope out where there may be possible areas for improvement.

They also work to establish different planning scenarios over, usually, say an 18-month framework, again to assess the reliability and resilience of the grid to respond to severe weather events. Then they also develop and regularly review sector-wide plans for emergency preparedness, as well as power system restoration in the event of severe weather events. So that gives you a bit of a flavour for some of the things that the Independent Electricity System Operator has focused on.

Mr. Peter Tabuns: Okay.

Mr. Michael Reid: Hydro One—a wide range of different sorts of things that they're up to in terms of

climate change adaptation as well. For example, in terms of technology and innovation, Hydro One is researching new technologies—and I think they're fairly advanced, actually, in terms of being leaders in this—that will allow the ability of infrastructure, their transmission and distribution infrastructure, for example, to shed water or ice in the event of severe rain or ice storm-type events.

They're also continuing the enhancing and streamlining of their emergency response procedures in the event of severe weather events. That includes training their staff to make sure that they're ready to respond. They also have shown themselves to be ready to help out other local distribution companies and, even in the US, respond to some severe weather events through some of this training and whatnot.

Also, we talked a little bit about, say, smart grid technologies in some of the earlier meetings as well. Hydro One is also using some of the last-gasp capability of the smart meters. That's the idea of, you can use smart meters to understand where outages are, so again, it allows you to dispatch crews much more quickly to actually respond to severe weather and where outages are, as opposed to having to rely on people to call in and let you know where they are. They can dispatch crews much more efficiently. So that gives you a bit of a flavour of some of the things that Hydro One is up to.

Mr. Peter Tabuns: Just before you go further, when we had severe rainstorms in 2013 in the GTA, the Manby station, as I understand it, flooded out. It took a while to restore it because it had to be pumped out. Has there been an assessment done of major assets and their vulnerability? Do we have other underground transformers that are vulnerable to flood? Has that issue been addressed?

Mr. Serge Imbrogno: I think Hydro One would look at that. I think part of the issue there is that you could have transformers above ground which are vulnerable and those that are below. You'd have a trade-off between which is better, which is safer. I think Hydro One would have done that assessment.

Hon. Bob Chiarelli: I can recall discussions in which they said that they're taking steps, moving forward. I can't remember the details in terms of how they construct in the future and what mitigation measures can be made with existing infrastructure. I have a recollection and we can get back to you on that.

Mr. Peter Tabuns: I would appreciate that, because, to my knowledge, what has previously been recommended by numerous panels, some of which have been directly commissioned by the government, is an inventory of vulnerabilities and a plan for addressing them. You and I both, Minister, have families and friends that depend on that system. I had to go and deal with my constituents during the ice storm who were stranded at the top of high-rises. The idea that they could be denied electricity for days and weeks poses pretty profound risks for them.

I appreciate what you've said. What I haven't heard is a cataloguing of vulnerabilities and a plan to address them on a systematic basis. Did I miss something?

Mr. Serge Imbrogno: Maybe we should go on and—

Mr. Peter Tabuns: Well, with Hydro One it looks like they're looking at some aspects, but I don't hear what sounds like a plan.

Mr. Serge Imbrogno: There's also the OEB, OPG and then—

Mr. Peter Tabuns: I'd like to hear that as well, but I'd just say that, with Hydro One, I can see where they may want to ensure that lines are rain- and ice-resistant. I think that's a good thing, but it doesn't sound like a catalogue of weak points in the system and a plan to address them.

Hon. Bob Chiarelli: I'll see if I can arrange a briefing for you from Hydro One particularly on those issues.

Mr. Peter Tabuns: Minister, I'd appreciate that.

Could we go on to OPG then?

Mr. Michael Reid: Yes. I may also—I think it picks up on some of the issues that you're raising in terms of the Ontario Energy Board. They also have a role to play in terms of climate change adaptation. For example, the Ontario Energy Board, in terms of the distributors it regulates, expects and asks them to do a lot of this resiliency planning as well as part of their regular filings with the Ontario Energy Board and considers scenarios such as extreme weather and restoration protocols and those types of things, again as part of their regular filing requirements.

As well, in terms of their regional infrastructure planning requirements again that are outlined as part of the OEB process, they also expect that as distributors and transmitters work together in the development of these plans going forward, the long-term system needs, including resiliency and adaptation, are also part of those planning processes. So those take place throughout the entire province and—

Mr. Peter Tabuns: And OPG?

Mr. Michael Reid: In terms of Ontario Power Generation, again they're involved in a variety of different

initiatives. For example, they're involved in research with the Centre for Energy Advancement through Technological Innovation—big name—and that's to focus specifically on river systems and weather and how climate change may end up affecting the performance of some of their hydroelectric facilities. In terms of their nuclear station designs as well, it's something that obviously is top of mind in terms of ensuring designs are robust enough to adapt to climate change and severe weather.

Then, on sort of the asset management side of things as well: looking at all their assets, including things like the structural integrities of dams for issues of flooding, for example, that could happen around dams. That is, again, modelling those types of things to make sure that their infrastructure is prepared for those types of severe weather events and can prevent some of those issues such as flooding.

I think as the deputy has also mentioned, we have been in regular contact with the agencies to talk about these issues in terms of climate change adaptation and what they're up to, including a lot of these international groups that they're part of, to share some of the learnings that they're getting from some of those groups.

Mr. Peter Tabuns: Can you tell us—

The Chair (Ms. Cindy Forster): Peter, really, we've run out of time. You'll have the rest of your time next Tuesday, five minutes.

Interjection.

The Chair (Ms. Cindy Forster): Five minutes left, yes. So we'll be meeting again next Tuesday morning. We have two minutes and 48—two hours and 48 minutes.

Interjections.

The Chair (Ms. Cindy Forster): Yes, 48 more hours. We have two hours and 48 minutes left on the energy estimates. Thank you.

The committee adjourned at 1800.

CONTENTS

Wednesday 19 November 2014

Ministry of Energy	E-335
Hon. Bob Chiarelli	
Mr. John Whytock	
Mr. Serge Imbrogno	
Ms. Kaili Sermat-Harding	
Mr. Michael Reid	

STANDING COMMITTEE ON ESTIMATES

Chair / Présidente

Ms. Cindy Forster (Welland ND)

Vice-Chair / Vice-Présidente

Miss Monique Taylor (Hamilton Mountain ND)

Mr. Bas Balkissoon (Scarborough–Rouge River L)
Mr. Chris Ballard (Newmarket–Aurora L)
Mr. Grant Crack (Glengarry–Prescott–Russell L)
Mr. Han Dong (Trinity–Spadina L)
Ms. Cindy Forster (Welland ND)
Mr. Michael Harris (Kitchener–Conestoga PC)
Mr. Randy Hillier (Lanark–Frontenac–Lennox and Addington PC)
Ms. Sophie Kiwala (Kingston and the Islands / Kingston et les Îles L)
Miss Monique Taylor (Hamilton Mountain ND)

Substitutions / Membres remplaçants

Mr. Bob Delaney (Mississauga–Streetsville L)
Ms. Indira Naidoo-Harris (Halton L)
Mr. Peter Tabuns (Toronto–Danforth ND)
Mr. John Yakabuski (Renfrew–Nipissing–Pembroke PC)

Clerk / Greffier

Mr. Katch Koch

Staff / Personnel

Mr. Jerry Richmond, research officer,
Research Services